

PERRY AREA
CHILD DEVELOPMENT CORPORATION

Financial Statements and Report on Audit

June 30, 2007

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Perry Area Child Development Corporation
Perry, Iowa

We have audited the accompanying statement of financial position of the Perry Area Child Development Corporation (a nonprofit corporation) as of June 30, 2007 and the related statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Entity's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Perry Area Child Development Corporation as of June 30, 2007, and the results of its activities and cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we are including herein our report on our consideration of the Perry Area Child Development Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is a integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

December 20, 2007



PERRY AREA CHILD DEVELOPMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2007

ASSETS

| | |
|--|--------------------------|
| Cash | \$ 119,616 |
| Cash Designated by Board | 966 |
| Program Service Fees Receivable | 10,102 |
| Contract Receivable | 10,033 |
| Land, Building and Equipment - Net of Accumulated Depreciation of \$31,185 | <u>159,614</u> |
| Total Assets | <u><u>\$ 300,331</u></u> |

LIABILITIES AND NET ASSETS

Liabilities

| | |
|------------------------------|---------------|
| Accounts Payable | \$ 5,418 |
| Accrued Wages Payable | 4,874 |
| Accrued Compensated Absences | <u>9,774</u> |
| Total Liabilities | <u>20,066</u> |

Net Assets

| | |
|---|--------------------------|
| Unrestricted | |
| Undesignated (including \$966 Board Designated) | 250,651 |
| Temporarily Restricted | <u>29,614</u> |
| Total Net Assets | <u>280,265</u> |
| Total Liabilities and Net Assets | <u><u>\$ 300,331</u></u> |

Notes to financial statements are an integral part of this statement.

PERRY AREA CHILD DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2007

| | Net Assets | | |
|--|--------------|------------------------|------------|
| | Unrestricted | Temporarily Restricted | Total |
| Revenue | | | |
| Public Support | | | |
| Contributions and Grants | \$ 1,970 | \$ 12,227 | \$ 14,197 |
| Governmental Funding | | | |
| Food and Nutrition | 40,435 | - | 40,435 |
| Empowerment Grant | - | 52,543 | 52,543 |
| Shared Visions Grant | - | 53,602 | 53,602 |
| Head Start Wrap Around | - | 45,472 | 45,472 |
| Wrap Around Child Care | - | 48,000 | 48,000 |
| Total Governmental Funding | 40,435 | 199,617 | 240,052 |
| Other Revenues | | | |
| Program Fees | 199,897 | - | 199,897 |
| Interest Income | 5,352 | - | 5,352 |
| Total Other Revenue | 205,249 | - | 205,249 |
| Net Assets Released From Restriction | 199,998 | (199,998) | - |
| Total Revenue and Net Assets Released from Restriction | 447,652 | 11,846 | 459,498 |
| Expenses | | | |
| Program Expenses | 388,677 | - | 388,677 |
| Administrative Expenses | 49,715 | - | 49,715 |
| Total Expenses | 438,392 | - | 438,392 |
| Change in Net Assets | 9,260 | 11,846 | 21,106 |
| Net Assets - Beginning of Year | 241,391 | 17,768 | 259,159 |
| Net Assets - End of Year | \$ 250,651 | \$ 29,614 | \$ 280,265 |

Notes to financial statements are an integral part of this statement.

PERRY AREA CHILD DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2007

| | |
|---|--------------------------|
| Cash Flows from Operating Activities | |
| Changes in Net Assets | \$ 21,106 |
| Adjustments to Reconcile Changes in Net Assets to Cash Used by Operating Activities | |
| Depreciation | 15,235 |
| Changes In | |
| (Increase) in Accounts Receivable | (4,159) |
| Increase in Accounts Payable | <u>1,446</u> |
| Net Cash Provided by Operating Activities | 33,628 |
| Cash Flows from Investing Activities | |
| Purchase of Property, Plant and Equipment | <u>(10,788)</u> |
| Net Cash (Used) by Investing Activities | <u>(10,788)</u> |
| Net Change in Cash | 22,840 |
| Cash - Beginning of Year | <u>97,742</u> |
| Cash - End of Year | <u><u>\$ 120,582</u></u> |

Notes to financial statements are an integral part of this statement.

PERRY AREA CHILD DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

1/ Nature of Activities

The Perry Area Child Development Corporation (the Entity) is a nonprofit organization, established in December 2003, whose mission is to provide a full service child care center for the benefit of all of the members of the communities served by the Perry Community School District, the Dallas County Hospital and the City of Perry.

The Entity was created in conjunction with a shared use agreement between these parties, as allowed by Iowa Code Charter 28E, to form a joint and cooperative action to provide this facility to the communities.

2/ Significant Accounting Policies

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Deposits and Investments

The Entity's cash and investments are required to be deposited and invested in accordance with Chapters 12B and 12C of the Code of Iowa. The deposits were entirely covered by federal depository insurance or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa.

Investments can only be made in obligations of the United States Government, its agencies and instrumentalities, certificates of deposit and other evidences of deposit at federally insured depositories approved pursuant to Chapter 12C of the Iowa Code, and with certain restrictions, prime bankers acceptances, commercial paper, repurchase agreements and certain open end management companies registered with the Federal Securities and Exchange Commission.

Credit Risk - In compliance with state statute, the Entity minimized credit risk losses due to default of a security issuer or backer by; limiting investments to the safest types of securities, and limiting bank deposits to less than \$100,000 covered by the Federal Deposit Insurance Corporation or the state sinking fund.

Interest Rate Risk – The Entity invests its cash in demand deposit accounts with interest rates which fluctuate periodically.

Revenue Appropriation

All public support is considered to be available for unrestricted use unless specifically restricted by the donor. At the Board's discretion, revenues are designated for specific purposes. Such Board designated funds are included in the unrestricted net asset section.

Recognition of Donor Restrictions

Restricted assets are assets that either time or purpose restrictions have been imposed by the donors. The Entity receives state and local government financial assistance in the form of grants. The purpose of the assistance is restricted by the grantors for a particular program. The Entity has elected to treat some of the grants as unrestricted assets instead of temporarily restricted because the programs are ongoing and in place at the time the grant is authorized.

Income Taxes

The Entity is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and contributions to it are tax deductible within the limitations prescribed by the Code. It has been classified as a publicly supported organization which is not a private foundation under Section 509(a) of the Code.

2/ Significant Accounting Policies - continued

Accounts Receivable

Accounts receivable have been adjusted for all unknown uncollectibles and no allowance is needed.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with initial maturity of three months or less.

3/ Land, Building and Equipment and Depreciation

A summary of such assets as of June 30, 2007 follows:

| | Estimated Useful Lives | |
|-------------------------------|------------------------------|------------------|
| Land | | \$ 26,000 |
| Building and Improvements | 5-15 Years | 175,034 |
| Equipment | 5 Years | <u>5,000</u> |
| | | 206,034 |
| Less Accumulated Depreciation | | <u>46,420</u> |
| Total | | <u>\$159,614</u> |

Land, buildings and equipment are stated at cost except for donated property which is carried at estimated fair value at date of donation. Donations of property and equipment are recorded as support at their estimated fair value on the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. In a prior year, the Dallas County Hospital contributed land, a building and equipment totaling \$176,000 which has been classified as unrestricted net assets.

Provisions for depreciation are computed using the straight line method over the estimated useful lives of the assets.

4/ Accrued Compensated Absences

The Entity's employees accumulate vacation hours for subsequent use or payment upon retirement, death or termination. This liability was accrued based on the current rate of pay.

5/ Related Party Transaction

The Entity purchases a significant amount of food from two of its major contributors, the Dallas County Hospital and the Perry Community School District, for its food and nutrition programs. The total for year ended June 30, 2007 was \$8,875 and \$51,440 respectively.

6/ Concentration of Credit Risk

The Entity had program service fees and contract receivables of \$20,135 at June 30, 2007. The ability to collect on such receivables is dependent upon the continued stability of local and state economic conditions.

7/ Risks and Uncertainties

The Entity is exposed to various risks in the normal course of business, such as damage to or destruction of assets, natural disasters, thefts, injuries to employees, loss of major contributors or suppliers, deterioration of the economy in its geographical business area, and other unforeseen events. The Entity minimizes its exposure to these risks as much as possible and acquires insurance where appropriate.

8/ Designated Cash

At June 30, 2007, cash of \$966 was designated by the Board for use for the Early Child and Family Education Program.

POLLARD AND COMPANY P.C.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors

Perry Area Child Development Corporation

We have audited the financial statements of the Perry Area Child Development Corporation as of and for the year ended June 30, 2007, and have issued our report thereon as dated below. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with U.S. generally accepted accounting principles. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Entity's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on effectiveness of the Entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned function, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Entity's financial statements is more than inconsequential will not be prevented or detected by the Entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Perry Area Child Development Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests

disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report, a public record by law, is intended solely for the information and use of the Board of Directors, management and awarding agencies of the Perry Area Child Development Corporation and is not intended to be and should not be used by anyone other than these specified parties.

December 20, 2007

Pollard and Company P.C.